

SECRETARY OF STATE

KEN HECHLER

ADMINISTRATIVE LAW DIVISION

Form #2

FILED

Nov 21 2 30 PM 1997

NOTICE OF A COMMENT PERIOD ON A PROPOSED RULE

OFFICE OF WEST VIRGINIA SECRETARY OF STATE

AGENCY: State Auditor TITLE NUMBER: 155

RULE TYPE: Legislative; CITE AUTHORITY West Virginia Code 12-3-10c

AMENDMENT TO AN EXISTING RULE: YES NO X

IF YES, SERIES NUMBER OF RULE BEING AMENDED:

TITLE OF RULE BEING AMENDED:

IF NO, SERIES NUMBER OF NEW RULE BEING PROPOSED: 155 CSR 4

TITLE OF RULE BEING PROPOSED: TRANSACTION FEE AND RATE

STRUCTURE

IN LIEU OF A PUBLIC HEARING, A COMMENT PERIOD HAS BEEN ESTABLISHED DURING WHICH ANY INTERESTED PERSON MAY SEND COMMENTS CONCERNING THESE PROPOSED RULES. THIS COMMENT PERIOD WILL END ON December 21, 1997 AT 5:00 PM ONLY WRITTEN COMMENTS WILL BE ACCEPTED AND ARE TO BE MAILED TO THE FOLLOWING ADDRESS.

Paul S. Mollohan
State Auditor's Office
W-100, State Capitol
Charleston, WV
25305

THE ISSUES TO BE HEARD SHALL BE LIMITED TO THIS PROPOSED RULE.

Authorized Signature

ATTACH A BRIEF SUMMARY OF YOUR PROPOSAL

\$3.80

155CSR4

TITLE 155  
LEGISLATIVE RULE  
STATE AUDITOR'S OFFICE

TRANSACTION FEE AND RATE STRUCTURE

SUMMARY OF PROPOSED RULE

The Auditor's Office requested from the Legislature the authority to assess a transaction fee based upon accounting transactions received on the State's centralized accounting system. The purpose of the fee was to enable the Auditor and Treasurer to continue to support and develop the purchasing card program implemented in October of 1996, further development of the centralized accounting system, and to develop and acquire technology required to meet these goals. The Legislature passed Senate Bill 563 on April 12 during the 1997 session granting the authority to the Auditor.

The funds will be used for the acquisition and implementation of a new payroll system. The current system was developed in the 1970's and is lacking in all categories of reporting, functionality, and user access. The current system is not year 2000 compliant. The possibility exists that State payrolls for the start of fiscal year 2000 could miscalculate certain year-to-date totals causing erroneous amounts to be reported or incorrect deductions taken from employee's pay.

In order to meet the time period of January to July of 1999 for implementation of a new payroll system, the office must start immediately on the project to meet the time deadlines for implementation. The funds that will be generated by the transaction fee will be used immediately to acquire the necessary software and hardware to meet the system requirements.

The funds will be used for the implementation of a disaster recovery plan for the data center. Due to financial

constraints, the office has no immediate plan for recovery of the data center if the use of the capitol complex is lost. As a result, all payments made by the State of West Virginia would stop which would include all payroll, worker's compensation claims and benefits, retirement benefits, welfare benefits, and other payments.

Approximately sixty per cent or more of the funds generated will come from Federal funds as indirect expenses in the administration of Federal grants.

**APPENDIX B**

**FISCAL NOTE FOR PROPOSED RULES**

**Rule Title:** TRANSACTION FEE AND RATE STRUCTURE

**Type of Rule:** X Legislative         Interpretive         Procedural

**Agency:** State Auditor

**Address:** W-100, State Capitol  
Charleston, WV  
25305

**1. Effect of Proposed Rule**

	ANNUAL FISCAL YEAR				
	INCREASE	DECREASE	CURRENT	NEXT	THEREAFTER
<b>ESTIMATED TOTAL COST</b>	\$	\$	\$	\$	\$
<b>PERSONAL SERVICES</b>					
<b>CURRENT EXPENSE</b>					
<b>REPAIRS &amp; ALTERNATIONS</b>					
<b>EQUIPMENT</b>	400,000		400,000	750,000	750,000
<b>OTHER</b>					

**2. Explanation of above estimates:**

The fee is based upon transactions received by the State Auditor from State agencies for processing on the centralized accounting system. Based on receiving approximately 1.2 million transactions per year, the amount indicated would be generated annually. Approximately sixty-five (65) percent or more of the cost will be from Federal funds.

**3. Objectives of these rules:**

The funds will be used to acquire, develop, implement, and support a new statewide payroll system to replace the current system. The payroll system now in use was installed in the early 1970's and does not provide the minimum reporting, user access, or functionality. The current system is not Year 2000 compliant.

**Rule Title:** Transaction Fee and Rate Structure

**4. Explanation of Overall Economic Impact of Proposed Rule.**

**A. Economic Impact on State Government.**

Approximate cost to all State agencies will not exceed \$300,000 per year since Federal funds will account for at least 60% of the amount billed to each agency.

**B. Economic Impact on Political Subdivisions; Specific Industries; Specific groups of Citizens.**

None

**C. Economic Impact on Citizens/Public at Large.**

None

**Date:** 11/21/97

**Signature of Agency Head or Authorized Representative**

Paul S. Malloy

558-2251

155CSR4

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OFFICE OF WEST VIRGINIA  
SECRETARY OF STATE

TITLE 155  
LEGISLATIVE RULE  
WEST VIRGINIA STATE AUDITOR

SERIES 4  
TRANSACTION FEE AND RATE STRUCTURE

§155-4-1. General:

1.1 This rule authorizes the State Auditor and State Treasurer to assess joint transaction fees for all financial documents that are received by the Auditor to be processed on the State central accounting system.

1.2 West Virginia Code §12-3-10c authorizes the Auditor and Treasurer to assess transaction fees in order to promote and enhance the use of state purchasing card program established by the provisions of §12-3-10a and to maintain and develop the fiscal operations and accounting systems of the state. Transaction fees shall be prescribed by legislative rule according to article three, chapter twenty-nine-a of the West Virginia Code.

1.3 A penalty fee may be assessed against spending units of state government who submit claims for payment of goods and services when those claims are authorized to be paid by use of a state purchasing card and the spending unit has failed to utilize the state purchasing card.

1.4 A transaction fee may be assessed for every transaction received electronically or otherwise by the Auditor from spending units of state government.

1.5 Authority: This rule is issued under authority of the West Virginia Code §12-3-10c.

1.6 Filing Date: \_\_\_\_\_, 1997

1.7 Effective Date: \_\_\_\_\_, 1997

**§155-4-2 Definitions:**

2.1 "Auditor" means the Auditor of the State of West Virginia.

"OMB" means the Federal agency Office of Management and Budget.

"Purchase Card" or "card" means the charge card authorized by the West Virginia Code §12-3-10a.

"Technology fund" means the fund created in the state treasury as authorized by West Virginia Code §12-3-10c.

"Treasurer" means the Treasurer of the State of West Virginia.

"West Virginia Financial Information Management System, 'WVFIMS'", means the centralized accounting system used by all state agencies for processing financial transactions and maintained by the Auditor and the Department of Administration.

**§155-4-3 Transaction Fee Structure:**

3.1 The transaction fee structure and rate shall be in compliance with OMB Circulars A-87, the "Cost Principles for State, Local, and Indian Tribal Governments", Circular A-21, the "Cost Principles for Educational Institutions", and Circular 110, the "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and

Other Non-Profit Organizations", and all other Federal standards and guidelines.

3.2 The transaction fee structure shall be reviewed each fiscal year by the Auditor and Treasurer to determine whether any changes are required to maintain Federal and state compliance.

3.3 The Auditor and Treasurer shall maintain in their respective offices all necessary documentation, including the detailed cost information and financial schedules, that were used in computing the transaction fee rate.

**§155-4-4 Penalty Fee Structure:**

4.1 The Auditor may assess a penalty fee for transactions received for payment when those transactions are authorized to be paid by the state purchasing card and the spending unit failed to utilize the state purchasing card.

4.2 The penalty fee assessed shall be a multiple of the rate per transaction as determined in Section §155-4-3. Through December 31, 1998, the penalty fee assessed shall be three times the rate determined in Section §155-4-3. Beginning January 1, 1999, the penalty fee assessed shall be five times the rate determined in Section §155-4-3.

**§155-4-5 Disposition of Fees:**

5.1 All fees collected shall be deposited in the state treasury and credited to the "Technology Support and Acquisition Fund" as authorized by the West Virginia Code §12-3-10c to be administered and maintained by the Auditor.

5.2 The Auditor and Treasurer shall divide the collections of the fund between their respective offices in the proportionate share that each office's cost is to the total cost in the rate base.

5.3 The Auditor shall make periodic transfers of funds to the Treasurer's Office, as jointly agreed upon, of the funds collected, provided, that at least two transfers occur during each fiscal year.

**§155-4-6 Accounting Requirements:**

6.1 The Auditor shall bill each agency for every transaction, as defined and used in the state's central accounting system, WVFIMS, when received for processing.

6.2 The Auditor shall calculate and bill each agency on a monthly basis.

6.3 The Auditor and Treasurer shall each maintain in their respective offices financial statements of the technology fund according to generally accepted accounting principles.

6.4 The Auditor and Treasurer shall include the fund financial data for their respective office in the annual statewide cost allocation plan that is submitted to the Federal agency.

6.5 The fund shall be subject to Federal audit as required for the annual statewide single audit.